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State of Idaho

Legislative Services Office

Management Report

A communication to the Joint Finance-Appropriations Committee

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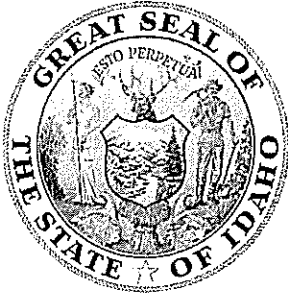
# PUBLIC UTILITIES COMMISSION

FY 2007, 2008, AND 2009

Report IC90009

Date Issued: October 7, 2010

*Serving Idaho's Citizen Legislature*



Idaho Legislative Services Office  
Legislative Audits Division

Don H. Berg, CGFM, Manager

**PUBLIC UTILITIES COMMISSION**

## **SUMMARY**

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### **PURPOSE OF AUDIT REPORT**

We conducted a management review of the Public Utilities Commission covering the fiscal years ended June 30, 2007, 2008, and 2009. Our review covered general administrative procedures and accounting controls to determine that activities are properly recorded and reported.

The intent of this review was not to express an opinion, but to provide general assurance on internal controls and to raise the awareness of management and others of any conditions and control weaknesses that may exist and offer recommendations for improvement.

### **CONCLUSION**

We did not identify any significant conditions or weaknesses in the general administrative and accounting controls of the Commission.

### **FINDINGS AND RECOMMENDATIONS**

There are no findings and recommendations in this report or the prior report.

### **AGENCY RESPONSE**

The Commission has reviewed this report and is in general agreement with its contents.

### **FINANCIAL INFORMATION**

The following financial data is for informational purposes only.

**PUBLIC UTILITIES COMMISSION – FISCAL YEAR 2009**

Fund	Title	Beginning Cash	Receipts/ Transfers in	Disbursements/ Transfers Out	Ending Cash
STATE ACCOUNTS					
0229	State Regulatory Funds	\$5,510,091	\$4,204,227	\$4,628,597	\$5,085,721
0348	Federal	85,020	44,000	59,351	69,669
OUTSIDE ACCOUNTS					
	Universal Service Fund	541,724	1,660,626	1,948,672	253,678
	ID Telephone Service Assistance Program	386,012	804,565	910,210	280,367
	Telecommunications Relay Service Fund*	469,726	209,406	274,017	405,115
	QPAP Fund	80,241	7,319	4,703	82,857
	Toll Restriction Fund**	775,785	5,447	150	781,082
		<u>\$7,848,599</u>	<u>\$6,935,590</u>	<u>\$7,825,700</u>	<u>\$6,958,489</u>

\*Telecommunications Relay Service Fund is reported as of December 31, 2008.

\*\*The balance of the Toll Restriction Fund was transferred to the General Fund in November 2009.

This report is intended solely for the information and use of the State of Idaho and the Public Utilities Commission and is not intended to be used by anyone other than these specified parties.

We appreciate the cooperation and assistance given to us by the executive administrator, Ron Law, and his staff.

**ASSIGNED STAFF**

Lori Hendon, CPA, Managing Auditor

Jolene Crumley, In-Charge Auditor

Maresa Blessinger, Staff Auditor

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## AGENCY RESPONSE

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Jim D. Kempton  
President

**Idaho Public Utilities Commission**  
P.O. Box 83720  
Boise, Idaho 83720-0074

C.L. "Butch" Otter  
Governor

September 21, 2010

Don H. Berg, CGFM, Manager  
Legislative Audits Division  
Legislative Services Office  
STATEHOUSE MAIL

RE: Audit Report

Dear Mr. Berg:

We have reviewed the management report covering financial operations of the Idaho Public Utilities Commission for fiscal years 2007 through 2009. We are pleased that there were no findings or recommendations for this audit period.

The Idaho Public Utilities Commission is committed to maintaining the highest standard for our fiscal records, reliability of internal controls and compliance with various state and federal requirements. We also welcome the opportunity to review and improve our procedures and controls.

We appreciated working with your staff members. Lori Hendon, Jolene Crumley and Maresa Blessinger were professional and thorough during this audit.

Sincerely,

A handwritten signature in black ink, appearing to read "Jim D. Kempton", followed by a horizontal line.

Jim D. Kempton  
President

JDK/JDH:jj

# APPENDIX

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## HISTORY

The Public Utilities Commission of Idaho was established by the 12<sup>th</sup> session of the Idaho Legislature and organized in May 1913. The Commission comprised three members vested with the authority and responsibility of regulating railroads, street railways, common carriers, pipelines, gas corporations, electric corporations, telephone corporations, telegraph corporations, and public wharves and warehouses.

The Commission was reorganized in 1951, by legislative action, and renamed the Idaho Public Utilities Commission. This change required gubernatorial appointment of the commissioners and confirmation by the Idaho Senate. Title 61, Chapter 1, Idaho Code, was also amended to define those public utilities subject to regulation as every common carrier, pipeline corporation, gas corporation, electrical corporation, telephone corporation, telegraph corporation, water corporation, and wharfinger.

## STATUTORY AUTHORITY

Authority for the establishment and operation of the Public Utilities Commission is set forth in Idaho Code, Title 61, Chapters 1 through 7 and 13, and Title 62, Chapter 6.

Chapters 1 through 7 contain laws regulating all public utilities except air carriers. Chapter 13, is the Telecommunications Relay Service, and authorizes the Commission to supervise the establishment of a statewide telecommunications relay service. This program is intended to deliver message relay services to hearing and speech impaired persons within the State of Idaho. Title 62, Chapter 6, the Telecommunications Act of 1988, allows certain kinds of telephone corporations the authority to opt out of traditional regulation under Title 61, Chapters 1 through 7, and requires others to be subject to its regulation. Chapter 6 also established the Universal Service Fund for the purpose of maintaining the universal availability of local exchange service at reasonable rates throughout the State of Idaho.

## PURPOSE

The purpose of the Public Utilities Commission is to regulate every public utility within the State of Idaho. The law gives the Commission the power and duties necessary and incidental to the regulation of public utilities in State.

## FUNDING

The Commission receives the majority of its revenue from regulated utility companies and railroads. Chapter 10, Title 61, Idaho Code, outlines the formula and fee schedule used to assess utilities and railroads. This revenue is used by the Commission for expenses associated with supervising and regulating public utilities and railroad corporations subject to its jurisdiction.

## FUND DESCRIPTIONS

The Regulatory Fund (0229) is the Commission's main operating fund.

The Federal Fund (0348) receives federal reimbursement and records the federal share of expenditures incurred to operate the Pipeline Safety Program.

The Universal Service Fund is established in Idaho Code, Section 62-610 for the purpose of maintaining reasonable local exchange services and long distance rates in the rural exchanges of Idaho. The program is funded through surcharges on residential and business local exchange

services and intrastate long distance billed minutes. These surcharges are paid by the telecommunications carriers. This fund is maintained by a contract administrator in a private bank account.

The Idaho Telephone Service Assistance Program is established in Idaho Code, Section 56-901. This statute is administered by the Idaho Department of Health and Welfare, but the Commission has the authority to invoke a surcharge on residential and business local exchange services. The surcharges are paid by the telecommunications carriers. This fund is used to provide eligible recipients with a reduction in costs of telecommunications service. The Department of Health and Welfare determines who is eligible, and the Commission pays the providers of this service for all eligible subscribers in its service delivery area. Eligibility is determined by criteria established by the Department of Health and Welfare, based solely on income or other factors directly related to income. This fund is maintained by a contract administrator in a private bank account.

The Telecommunication Relay Service Fund is established in Idaho Code, Section 61-1304 for the purpose of providing service to individuals who are hearing or speech impaired. The program is funded through assessments on residential and business local exchange services and intrastate long distance billed minutes. The assessments are paid by the telecommunications carrier. This fund is maintained by a contract administrator in a private bank account.

The QPAP Fund was established to deposit funds from penalties paid by Qwest for violations of the Qwest Performance Assurance Plan (QPAP). The QPAP is an agreement between Qwest, the Federal Communications Commission (FCC), and the State of Idaho that provides specific standards for Qwest's delivery of services to competitor telecommunications companies, and sets automatic penalties if standards are not met. The deposits in this fund are penalties related to this agreement. This fund is maintained by a contract administrator in a private bank account.

The Toll Restriction Fund was established to deposit funds from Qwest. Qwest had collected set-up fees from new customers for toll-restriction service that blocks the use of the phone for long distance calls. The fees were collected in violation of Commission Order #27785, which prohibits such fees. The Commission ordered Qwest to refund the fees to its current customers, and Qwest complied. However, some of Qwest's customers, who had been erroneously charged the fee, were no longer Qwest customers. Commission Order #28862, dated September 1, 2001, directed Qwest to deposit \$643,639 into this account, which represents the amount due to the customers no longer with Qwest. This balance has increased due to interest earned on investments. This fund is maintained by a contract administrator in a private bank account. The balance of this fund was transferred to the General Fund in FY 2010.

## **ORGANIZATION**

The Commission comprises three members appointed by the Governor and confirmed by the Senate. Only two members may belong to the same political party. The Commission's staff of 49 employees is divided into three divisions: administrative, legal, and utilities. The staff consists of engineers, rate analysts, accountants, investigators, economists, and other support personnel. The staff analyzes rate increase requests and applications for operating certificates, investigates complaints, and presents recommendations on these matters to the Commission.



**Note: Brenda is assigned to assist the AG's but FTE is included with Commission**